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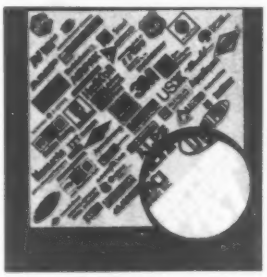

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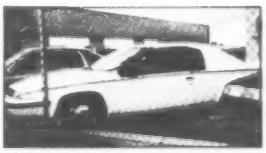

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ONE OF THE ABC PUBLISHING COMPANIES

Unemployment: The Price Of Overcapacity

by Jim Harbour

Manufacturing cars in the United States and Canada is an enormously profitable business, particularly the assembly of sub-compact and compact cars, right? It must be, because Honda recently expanded its operations to make Civics at Marysville; Toyota is bringing a compact to Kentucky; Mitsubishi is coming to Illinois; Mazda is building in Michigan.

The story of the Japanese rush to assemble cars and trucks in the US and Canada has already been editorialized to death in the national media and the local tabloids. What I really want to highlight is *who's* going to pay for this enormous increase in new assembly capacity. That's right, the real question is how many hourly and salary workers will eventually face unemployment as a direct result of this expansion?

You would think that the North American car and truck market was about to explode by 30%, based on capacity increases planned. Appearances, however, can be deceiving. We're planning to increase assembly capacity to 21.3 million units annually. That's what the government in Washington and every statehouse in the Midwest wants because the bottom line is jobs, jobs, jobs. Right?

In the drive to financially assist these upstarts and grant innovative labor contracts to every assembler who wants to set up shop in North America, we're ignoring the fact that we're assisting overcapacity.

The best retail car and truck sales the North American market can presently hope for is only 16.6 million units annually, so by 1991 there will be an excess of some 4.7 million units of assembly capacity. You can assume the new capacity being built by Honda, Toyota, MMC, Mazda and the others is going to be fully used to supply the "Everlasting Customer" with a superb quality car.

That obviously leaves this writer with visions of a "worse case scenario" where Ford, GM, Chrysler and AMC annually lose $4.7 million in car and truck production and sales.

Jim Harbour is a manufacturing consultant in Bloomfield Hills, MI.

This worse case scenario means the automotive manufacturers would close some 40 major manufacturing plants including 20 assembly, 4 engine, 8 stamping and 2 foundries plus brake, suspension and steering plants. The industry would also lose a ton of outside supplier plants.

The domestic manufacturers could pay the price of not being competitive in quality and productivity; for years of talk but no action; for planning without specific goals; for philosophizing the whats, justifying the whys and finger pointing the blame at someone else.

Who pays the piper for neglecting quality and productivity? Obviously everyone from stockholders to management. But the real losers, when 4.7 million cars and trucks built by Chrysler, Ford, GM and AMC go down the tubes will be the salary and hourly workforce—400,000 of them.

You don't think it could happen? Just take a look back to see where we've been. Imports had only 5.4% of the 1965 car and truck market and that increased to 23% in 1985. Attrition in that 20-year span claimed 282,000 workers. So it's not hard to believe that another 400,000 will be lost if the domestics lose another 4.7 million units.

Unfortunately, when the domestic manufacturers lose a million units, they force unemployment on 85,000 workers because of high integration levels. It's not just assembly losses, but also stampings, engines, transmissions, brakes, steering, suspension, etc. In contrast, when foreign manufacturers come to the US all you get is assembly, stamping, wheels, tires and seats.

The die is cast: The foreign manufacturers are bringing their assembly plants to the US. Will the domestic manufacturers, the UAW and the entire workforce just sit back and accept it? They can, and if they do, they'll pay the price with their jobs. The alternative is for management and the UAW to sit down now and address the industry's non-competitiveness and define an *immediate* action plan to meet the competition head-on.

Clean up your act, company management and UAW management or this once dynamic industry will be but a skeleton of what it once was. Take no consolation in believing these 400,000 potential job losses will be covered by pensions, because the lowest hourly and salary workers on the seniority totem pole will go. The real point is not who can retire. The point is: Don't leave as your legacy a non-competitive industry where your children have no opportunity to get a job. AT

Plant Capacity (In Millions Of Units)

Ford/GM/Chrysler/AMC (Current)	13.7
VW/Honda/Nissan/NUMMI/Volvo (Current)	1.1
Honda/MMC/Toyota/Mazda/AMC (Renault)/Others (Under Construction)	1.3
Saturn (Under Construction)	0.5
Import capacity in place in Korea/Japan/Europe/Mexico	4.7
Total capacity	21.3

SUPPLIER-SIDE ECONOMICS: THE SILENT MAJORITIES SPEAK

Supplier executives talk turkey in our informal survey on profits, spending and dealing with the OEMs.

by Jennifer G. Mintzer

It ain't fair. It seems every time Lee Iacocca lets loose with a "lemmetellya," it registers a ten on the media's Richter scale. The spotlight rarely shines as brightly on the 30,000-plus suppliers who feed America's car and truck building combines.

Instead, these companies tend to be the silent majority in the auto industry, the ones who have to deal with 30% price cut demands and eroding market share, without analysis by Dan Rather or film at 11. That's why ***AI*** has surveyed executive vice presidents, presidents, chairmen and CEOs from 65 major automotive OEM supplier companies. We wanted their views on where the US supplier base is headed and why.

Selling Japan

Top of the list of concerns voiced by nearly all suppliers to the automotive industry is the frustration of trying to sell to the Japanese transplants—Japanese automakers setting up shop in the States. Most of the suppliers surveyed report they have approached Japanese automakers, but have met with little success. In fact, some say they can't get past the guard house. Among the reasons cited for failure is that decisions are being made by the Japanese home office, qualifying products is a long, arduous task and the product specifications are determined in Japan. (*See sidebar, "Success Limited at Transplants."*)

Bedfellows or Bedbugs?

What about the relationship between US automakers and US suppliers? To put it in a nutshell, the relationship has improved in general, but suppliers assume the credit, claiming they do their homework so they are sure to meet automakers' needs. Both parties, suppliers say, are looking at the long-range and developing joint research teams. The monkey wrench fouling up the works is what one supplier terms "strictly price-thinking." Says a plastic company executive, "They need us now; perhaps tomorrow they won't feel that way."

Suppliers agree that cooperation has increased, although on the whole, makers of production equipment are fairing better (80% see improvement) than parts and components suppliers (65%); while materials people (74%) float between.

James Giammarco, automotive sales director at Parker Chemical, approves of the direction the supplier/OEM relationship is moving: "Supplier-customer teams are established for both normal problems and problem-solving. Early sourcing is now a noticeable trend."

Norman Blachford, president of H. L. Blachford Inc., a noise control materials and plastics supplier, agrees: "They have reduced the supplier base, issued longer term contracts and

become more quality-conscious—all requiring more cooperation."

Nearly three-quarters of all suppliers may agree that cooperation has favorably flavored the working environment, but that's not to say there's no heat in the kitchen. In short, some feel they're getting singed, if not downright burned by a relationship that tips the scales far more toward the OEMs than a 50/50 partnership should allow. For a taste of their dissatisfaction, see the sidebar, *"Days of Whine & Ruses."*

Predicting Growth

Although the majority of suppliers view the next one to two years as a period of modest growth and profitability, many are more enthusiastically optimistic when they look just a bit farther down the road—say, three to five years.

Commitment to improving operating procedures and reliability levels is paramount to suppliers' plans to increase profitability and improve sales penetration in 1987 and the longer term. To guarantee continued growth, many suppliers are broadening their base—either by moving offshore to supply overseas automakers or by diversifying into related fields.

The key to remaining competitive is a global approach and success in

(Continued on p. 87)

Will you diversify away from OEM automotive business?

	Yes	No	Already Have
Mfg./Prod.	25%	50%	25%
Parts/Components	33%	60%	7%
Materials	39%	52%	9%
Total	35%	57%	8%

Days of Whine and Ruses

Although the majority of the suppliers we interviewed say their relationships with automakers have improved, most also complain that there is more rhetoric than actual cooperation taking place. And although the automakers maintain they are looking for the highest quality parts available, suppliers retort that price is still the favorite son, while quality ranks as the not-quite-so-attractive stepsister.

Toledo Blank's president Joseph McCaffery says automakers are "somewhat more cooperative, but no smarter. They're too price conscious, not cost-conscious." One electronics supplier president labels the pressure to reduce prices "excessive."

If taken on a carmaker-by-carmaker basis, Ford Motor Company comes out the clear winner of the cooperation award from suppliers in materials, parts and components and manufacturing products. On the other hand, GM sits far down on the totem pole.

Rating each automaker separately, one material supplier VP says, "Ford has made good efforts here. C-P-C is trying, but the bulk of GM has far to go. GM subsidiaries vary. Rochester Products Div. is good, Saginaw awful. Chrysler is hard to say." Agrees the executive VP at a major nonferrous material supplier, "Less cooperative. This is particularly true with GM in my experience."

Echoing the verdict of "less cooperative" is the marketing manager of a US specialty steelmaker, who says, "Evolution of world market suppliers is putting American suppliers in a more subservient role. Survival instinct is preempting past relationships; cooperation is commensurate with need and supply/demand relationship."

Parts and components suppliers who in general see the relationship in a less cooperative light, mention that automakers are strong on rhetoric, but weak on the follow-through. "There has been little change," says the VP of a rubber products supplier. "In spite of their verbage we still see them with a business-as-usual attitude—but with a smaller supplier base." "Behind the rhetoric there is little difference," agrees the president of another rubber supplier. And lest you think rubber suppliers are the only ones feeling blue, the VP of manufacturing operations for a major onboard parts supplier, commiserates, "Customers are being more arbitrary in their expectations and decisions. They do not use reason to the extent they should and they are vesting decisions in junior employees with too little experience. Also customers are using fear as a management tactic both internally and externally. This is affecting the quality of decision making." In fact, some say, "The trendy thing is to think and act globally even if local supply is available and competitive."—*JGM*

Are American automakers more cooperative with American suppliers today?

	More	Less	Same
Mfg./Prod.	80%	0%	20%
Parts/Components	65%	27%	8%
Materials	74%	22%	4%
Total	70%	22%	8%

Facing The Future With Four-Barrels

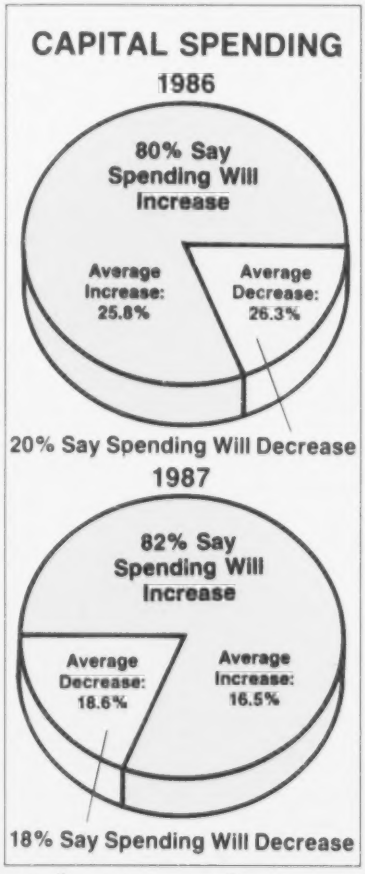
Across the board, suppliers view the future favorably. The message that comes through loud and clear is that profitability and increased sales are possible, but it will take hard work on the part of the suppliers themselves. It's a "pull ourselves up by the bootstraps" attitude.

Materials Outlook

Materials suppliers in general seem to view the short-term in less enthusiastic terms than components and manufacturing types. They are more optimistic about the long-range, however, and currently are implementing programs designed to ensure future growth: capital investment and productivity efforts to lower product cost.

The picture among ferrous metal suppliers is difficult to peg precisely. One major US steel company reports increased profitability (no amount specified) in both '86 and '87, coupled with increased capital spending of 16% in '86. This particular supplier currently sells successfully to several US-based Japanese manufacturers and notes that only 29% of sales are OEM automotive. On the other hand, a 100% automotive OEM steel supplier says sales and profits will not change, but capital spending will increase 10% and 25% respectively in '86 and '87. This supplier reports no success with the Japanese transplants. And taking the scenario one step farther is a supplier of stainless steel, 30% of which goes to automotive OEMs. Sales here are pegged to increase 2% for both years; profitability will bolt 100% in '86 and 15% in '87; capital spending will be increased 5% and 10% respectively. This supplier has not yet attempted to sell to the Japanese.

Plastics suppliers are nearly unanimous in forecasting growth for the long-term. Banking on increased use of plastics in automobiles, one 70% automotive OEM supplier pegs growth at somewhere around 20% for three years. But even plastics suppliers believe "major ventures will be needed."



Sales for '86 will rise an average 14% among plastics suppliers; for '87, 12%. The outlook for profits among plastics suppliers is more diverse and dependent upon plans for capital spending which will rise an average 12% in '86 and nearly 20% in '87. The percentage of automotive OEM business varies widely among plastics suppliers with 63% reporting 70% or more automotive OEM sales. Growth optimism is tempered by calls for cash control and major ventures.

Sixty-two percent of suppliers of non-ferrous materials, rubber, coatings and other materials plan major capital expenditures in '86 and '87 to combat what many view as a short-term downturn. They expect moderate to good performance in the longer term.

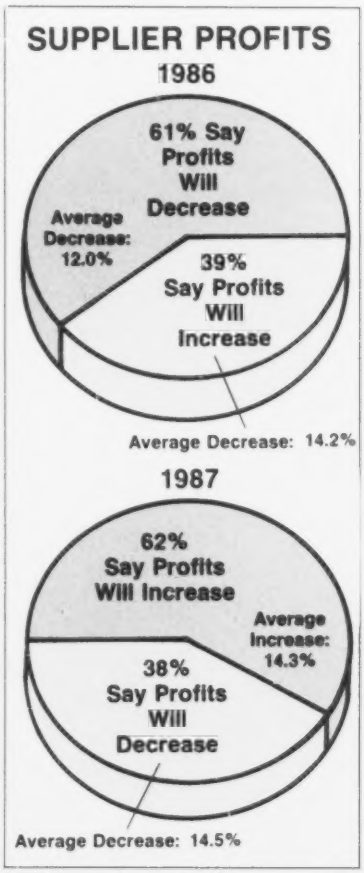
Says one glass manufacturer, "We are remaining very flexible and willing to evaluate every possible opportunity, be it split business or joint venture." Auto sales director at Parker Chemical James Giammarco notes, "We see growth in the core business with increases in new venture sales designed to broaden our base and address single-supplier and/or reduced supplier goals of our customers."

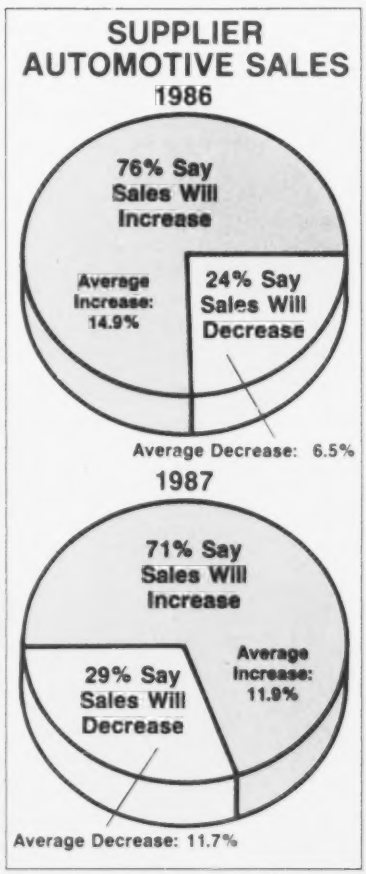
Capital Equipment's View

Machine tool builders cast a near 100% vote for growth. On average manufacturing and production equipment suppliers plan to increase capital spending 41% in '86, 11.3% in '87. Sales will hit 29.6% in '86 and 21.5% in '87, on the average, while the profit picture is tempered. For '86 profits will increase 26.6% and 9% in '87. Twenty-eight percent of the production equipment suppliers reported a decrease in automotive sales for '87, ranging from -2% to -15%. The decrease will affect '87 profits 20% on the down side and capital spending will fall an average 24% for '87. Still this sector reports a good long-term outlook.

Components Consensus

Parts and components manufacturers in general see growth potential in the coming years, and many are planning major capital expenditures either this year or next. A decrease in automotive sales for parts and components manufacturers in '86 seems to lead directly to an increase in capital spending for '87 and a resultant decrease in profits as these suppliers gear up to become more competitive. According to group VP Timothy Lewliette of Bendix Electronics, which has sales of 90% automo-





tive, the outlook is, "Very positive. We are investing $200 million in expansion and increasing engineering to 10% of sales."

Perhaps exemplifying the reaction of parts and components manufacturers to increased pressure from foreign suppliers is the president of an onboard parts and components supplier who reports a 12% decrease in '86 sales, a 50% decrease in '86 profits and a 25% decrease in capital spending for this year. Next year he predicts a 50% increase in capital expenditures, an 8% sales increase and 81% increase in profits. The outlook: "Good to excellent. We have become the lowest cost producer in our market."

Schrader Automotive (Canada) president A. Vallet-Sandre predicts his company's OEM automotive sales will decrease 4% in '86 and 2% in '87. Profits which will decrease 3.1% in '86 will rise 0.1% in '87, a year in which Schrader Automotive plans a 275% increase in capital spending! Says Vallet-Sandre, "Growth may be adversely affected unless we can become an ongoing supplier to foreign manufacturers establishing in North America."

Capital expenditures are seemingly a response to increased global pressure to become competitive. Despite predictions for '86 and '87 (sales decreases of 5% and 11% respectively), a major US transmission component manufacturer will increase capital spending 32% in '86. Profits will slip 4% this year and 22% next year, the VP of manufacturing operations reports. "As our customers implement their plans to rely on foreign producers for much of their car lines, the outlook is tough. We will weather this problem with quality and cost improvements and the sales of related components and sub-assemblies," he reports.

A competitor in the transmission components field reports an 8% decrease in '86 sales, an 11.2% profit decrease, but a whopping 167% increase in '86 capital spending. How will this affect the company's '87 outlook? Well, according to the director of product planning, sales will increase 4% in '87, while profits will slide a mere 0.3%. This supplier predicts "Flat to slow growth into the year 2000. The possiblity of introducing new products to expand the product base" is being considered.

Others with more positive views of the future still plan to spend a hefty amount on capital equipment. Says Daniel Monighan, chairman and president of Van Dresser Corp., "Our long term outlook is excellent. We will be among those OEM automotive suppliers who survive and thrive." But a price will be paid. Van Dresser will increase capital spending 40% in '86, 90% in '87; '86 sales for the company are pegged to rise 35%.

CEO and president of Simpson Industries, R.W. Navare, whose company is 90% OEM automotive, says, "We feel very upbeat about our business." He predicts sales increases of 24% and 10% in '86 and '87, respectively; profits to rise 23% and 10%, and capital spending to increase 130% in 1986. The president of another 100% automotive OEM onboard parts and components manufacturer predicts strong growth in the automotive industry. His company pegs sales to rise 15% this year and next; profits to increase 30% for both years and capital spending to increase 30% in '86.—*JGM*

Supplier Strategy

AI SUPPLIER 200

An alphabetical assembly of the industry's heavy hitters.

	1985 Sales*	1985 Profit*	% Return On Sales	% Return On Equity
Acme-Cleveland	N.A.	N.A.	N.A.	N.A.
Atlas-Copco	N.A.	N.A.	N.A.	N.A.
Airpax Corp.	N.A.	N.A.	N.A.	N.A.
Air Products	1,830	143	7.8	12.3
Akzo Coatings	N.A.	N.A.	N.A.	N.A.
Alcoa	5,163	-16.6	--	--
Algoma Steel	N.A.	N.A.	N.A.	N.A.
Allen Group	3,992	16.6	N.A.	10.4
Allied Chemical	N.A.	N.A.	N.A.	N.A.
Allied-Signal	9,115	-279	--	--
Allis-Chalmers	961	-168	--	--
ALPS Electric	N.A.	N.A.	N.A.	N.A.
Amcast Industrial	N.A.	N.A.	N.A.	N.A.
Amchem	N.A.	N.A.	N.A.	N.A.
American Micro Systems	N.A.	N.A.	N.A.	N.A.
American Motors	4,093	-125	--	--
AMP	1,636	108	6.6	10.8
Apollo Computer	296	-1.5	--	--
Applicon	N.A.	N.A.	N.A.	N.A.
Atlantic Richfield	22,357	-202	--	--
Armco	4,106	55	1.3	5.0
Armstrong Rubber	767	16	2.1	6.7
Armstrong World Ind.	1,679	101	6.0	13.8
Arvin Ind.	820	35.9	4.4	14.4
ASEA	N.A.	N.A.	N.A.	N.A.
Ashland Oil	7,891	147	1.9	12.7
Atlas Copco	N.A.	N.A.	N.A.	N.A.
AT&T	34,909	1,556	4.5	9.9
Automatix	N.A.	N.A.	N.A.	N.A.
Ball Corp.	1,106	51.2	4.6	15.5
BASF	2,568	38.9	1.5	4.2
Bethlehem Steel	5,117	-196	--	--
Bloxcom Corp.	N.A.	N.A.	N.A.	N.A.
Borg Warner	3,963	178	4.5	10.8
Robert Bosch	N.A.	N.A.	N.A.	N.A.
Briggs & Stratton	717	33.5	4.7	11.8
Budd Co.	N.A.	N.A.	N.A.	N.A.
Buehler Products	N.A.	N.A.	N.A.	N.A.
Carpenter Technology	556.7	24.5	4.4	7.7
Caterpillar	6,769	198	2.9	6.5
Celanese	3,046	178	5.8	17.5
Champion Spark Plug	829.4	15.2	1.8	4.1
Cherry Automotive	126.2	N.A.	2.8	6.4
Chrysler	21,255	1,635	7.7	38.8
Chrysler Divers. Prods.	N.A.	N.A.	N.A.	N.A.
Chrysler Electronics Gp.	N.A.	N.A.	N.A	N.A.
Cincinnati Milicron	732	-44.7	--	--
Clark Equipment	964	-65.4	--	--
Colt Ind.	1,579	138	8.7	34.1
Combustion Eng.	3,110	-94.4	--	--

	1985 Sales*	1985 Profit*	% Return On Sales	% Return On Equity
Computervision	441	-80.7	--	--
CRC Evans	N.A.	N.A.	N.A.	N.A.
Cross & Trecker	434	11.9	N.A.	5.6
Crown Cork & Seal	1,487	71.7	4.8	13.5
Cummins Engine	2,146	50.3	2.3	7.4
Cyclops Corp.	1,385	26.2	1.9	12.1
Dana Corp.	3,754	165.1	4.4	13.8
Datcon	N.A.	N.A.	N.A.	N.A.
Deere and Co.	3,163	31	0.89	1.3
Delco Elect.	N.A.	N.A.	N.A.	N.A.
Delco Remy	N.A.	N.A.	N.A.	N.A.
Diemakers	N.A.	N.A.	N.A.	N.A.
Dow Chemical	11,537	58	0.5	1.2
Dow Corning	901	95.2	10.6	16.5
Dresser Ind.	4,111	-196	--	--
Duncan Electronics	N.A.	N.A.	N.A.	N.A.
DuPont	29,483	1,118	3.8	8.8
Eagle Picher Ind.	641	-119.8	--	--
Eaton	3,674	231	6.3	16.6
EDS	3,444	190	5.5	35.6
Emhart	1,775	80.5	4.5	13.2
Empire-Detroit	N.A.	N.A.	N.A.	N.A.
Englehard	2,263	42.6	1.9	8.3
Environmental Tectonics	N.A.	N.A.	N.A.	N.A.
Essex Specialty Prods.	N.A.	N.A.	N.A.	N.A.
Ex-Cell-O	1,140	57.5	5.1	11.6
Federal Mogul	895.4	51.9	5.8	15.3
Firestone	3,836	3.0	0.1	0.3
FMC Corp	3,260	196.5	6.0	17.5
Ford	52,774	2,515	4.8	20.5
Foxboro Corp.	572	-34.1	--	--
GAF	731.9	77.5	2.5	8.1
GenCorp	3,020	75.2	2.5	8.1
General Electric	28,285	2,336	3.8	8.8
General Instrument	993.8	-9.6	--	--
General Motors	96,371	3,999	4.2	13.5
Gleason Corp.	N.A.	N.A.	N.A.	N.A.
B.F. Goodrich	3,250	-354	--	--
Goodyear	9,896	412.4	4.2	11.8
Goshen Rubber	N.A.	N.A.	N.A.	N.A.
Gould	1,520	-175.7	--	--
GTE	15,732	-161	--	--
Hercules	2,587	133.1	5.2	9.0
Hewlett-Packard	6,505	498	7.5	12.3
Holley Automotive	N.A.	N.A.	N.A.	N.A.
Honeywell	6,624	281.6	4.3	11.0
IBM	50,056	6,555	13.1	20.5
ICI	N.A.	N.A.	N.A.	N.A.
Imperial Clevite	N.A.	N.A.	N.A.	N.A.
Indian Head Ind.	N.A.	N.A.	N.A.	N.A.

*—In millions of dollars. Figures taken from Fortune 500, Business Week 1000 and company annual reports.

	1985 Sales*	1985 Profit*	% Return On Sales	% Return On Equity
Inland Steel	3,186	-178	--	--
Inmont Div.	N.A.	N.A.	N.A.	N.A.
Intel	1,364	1.5	0.1	0.1
Instareed	N.A.	N.A.	N.A.	N.A.
IPC	N.A.	N.A.	N.A.	N.A.
ITT	12,714	293	2.3	4.5
Kaiser Aluminum	2,701	-186	--	--
Kawasaki Steel	N.A.	N.A.	N.A.	N.A.
Kelsey-Hayes	N.A.	N.A.	N.A.	N.A.
Kusan Mfg.	N.A.	N.A.	N.A.	N.A.
Laser Ident. Systems	N.A.	N.A.	N.A.	N.A.
Lear-Siegler	2,370	100.7	4.3	15.7
Libbey-Owens-Ford	1,921	74.6	3.9	10.4
Litton	4,590	299.4	6.5	31.9
Loctite	240	19.1	N.A.	13.8
LTV	8,198	-723.9	--	--
Lubrizol	903.4	60.2	6.7	11.6
Mack Truck	2,063	-59.2	--	--
Magna International	690.4	43	6.2	14.1
Magnavox	N.A.	N.A.	N.A.	N.A.
Mahle	N.A.	N.A.	N.A.	N.A.
Maremont	N.A.	N.A.	N.A.	N.A.
Maxwell	N.A.	N.A.	N.A.	N.A.
Micro Barcode	N.A.	N.A.	N.A.	N.A.
Midland-Ross	763	19.4	2.2	8.0
Mobay	1,599	77	4.8	12.4
Modern Machine Wks.	N.A.	N.A.	N.A.	N.A.
Molex, Inc.	253	31	12.2	19.7
Monsanto	6,747	-98	--	--
Morton Thiokol	1,958	198	10.1	28.1
Motor Wheel	N.A.	N.A.	N.A.	N.A.
National Steel	N.A.	N.A.	N.A.	N.A.
Navistar International	3,457	105	--	10.1
New Departure/Hyatt	N.A.	N.A.	N.A.	N.A.
New England Instrument	N.A.	N.A.	N.A.	N.A.
Nippon Kokan	N.A.	N.A.	N.A.	N.A.
Nippon Steel	N.A.	N.A.	N.A.	N.A.
Nordson Corp.	140	9,714	7.0	13.4
North American Philips	4,395	82	1.9	7.8
N. American Royalties	N.A.	N.A.	N.A.	N.A.
Norton Corp.	1,193	-130	--	--
Nuodex	N.A.	N.A.	N.A.	N.A.
Optical Gaging	N.A.	N.A.	N.A.	N.A.
Owens-Corning Fiberglas	3,305	131	4.0	13.9
PACCAR	1,893	73	3.9	10.2
Parker White Metal	N.A.	N.A.	N.A.	N.A.
PDA Engineering	15	2	12.7	19.3
Phillips Petroleum	15,676	418	2.7	24.7
PPG Industries	4,345	303	7.0	17.8
Plymouth Tube	N.A.	N.A.	N.A.	N.A.
Prab Robots	N.A.	N.A.	N.A.	N.A.
Pyle National Div.	N.A.	N.A.	N.A.	N.A.
Quaker State	974	46	4.7	14.7
Quanex	N.A.	N.A.	N.A.	N.A.
Raychem	679	28	4.2	8.0
Rexnord	1,103	36	3.3	7.7
Rexroth	N.A.	N.A.	N.A.	N.A.
Reynolds Metals	3,415	-292	--	--
Rockwell International	11,338	595	5.3	20.2
Sealed Power	624	30	4.8	11.7
SECO	N.A.	N.A.	N.A.	N.A.
Sermatech Int.	N.A.	N.A.	N.A.	N.A.
Sheller Globe Corp.	918	364.0	15.3	
Sherwin-Williams	2,195	74	3.4	16.0
Signal Companies	N.A.	N.A.	N.A.	N.A.
Simpson Ind.	N.A.	N.A.	N.A.	N.A.
A.O. Smith Corp.	932	41	4.4	17.4
Snap-On Tools	591	60	10.1	17.7
Soudronic Ind. Div.	N.A.	N.A.	N.A.	N.A.
Stanadyne	484	30	6.3	14.8
Stanley Works	1,208	78	6.5	15.6
Sterling Eng. Prod.	N.A.	N.A.	N.A.	N.A.
Sumitomo	N.A.	N.A.	N.A.	N.A.
TCI Superior	N.A.	N.A.	N.A.	N.A.
TRW	6,615	-7.1	--	--
Tecumseh Products	829	60	7.2	12.5
Tektronix	1,438	90	6.3	10.6
Teledyne	3,256	546	16.8	34.6
Textron Inc.	4,990	.252	5.1	15.4
Thomson Industries	N.A.	N.A.	N.A.	N.A.
3M	N.A.	N.A.	N.A.	N.A.
Timken	1,090	-4	--	--
TradeArbed	N.A.	N.A.	N.A.	N.A.
USX	18,429	409	2.2	6.1
Union Carbide	9	-581	--	--
Uniroyal	2,115	N.A.	N.A.	N.A.
United Technologies	15,748	313	2.0	7.2
Van Dresser Ind.	N.A.	N.A.	N.A.	N.A.
Vickers	N.A.	N.A.	N.A.	N.A.
Walbro Corp.	N.A.	N.A.	N.A.	N.A.
Wallace-Murray	N.A.	N.A.	N.A.	N.A.
Weirton Steel	1,156	61	5.3	6.0
Wheland Foundry	N.A.	N.A.	N.A.	N.A.
White-Consolidated	1,946	34	1.8	6.5
Wickes Companies	2,806	28	--	0.2
Winnebago Industries	424	18	4.3	13.3
Witco Corp.	1,449	57	3.9	13.7
Young Radiator	N.A.	N.A.	N.A.	N.A.
ZF of North America	N.A.	N.A.	N.A.	N.A.
Zollner Corp.	N.A.	N.A.	N.A.	N.A.

(Continued from p.57)

cracking the Japanese transplant market. "Exports will be an important element of our success," confides the president of an onboard parts and components manufacturer. Quality and price competitiveness will remain all-important, but many vendors believe equally important to automakers will be engineering and technical support provided by suppliers.

Many see their sales rising, but profits will at best remain stable or become increasingly difficult to maintain. Says a rubber company president, "We'll work hard to remain a survivor. No question that there will be some fallout among current vendors. Those who survive *may* show real growth."

Other suppliers contemplate new product introductions to maintain a toehold on the market. Says a drivetrain part supplier's director of product planning, "We see flat to slow growth into the year 2000. Then we see the possibility of introducing new products to expand our base."

Those who paint the scene gloomy blame cost pressures for the dismal outlook. Says the chairman and CEO of a ferrous metals supplier, "It's difficult to make a profit with cost pressures placed on us by automotive OEMs who are asking and getting 5% per year price decreases over a three-year contract."

These suppliers could sum up their plans for continued growth in one word: Flexibility. Whatever it takes to stay afloat and even execute some fancy strokes is what they'll do. AI

Suppliers Find Limited Success At Transplants

Toledo Blank Inc. president Joseph McCaffery speaks for about 90% of US suppliers trying to sell to the Japanese automakers setting up shop in the US when he says it's "mission impossible."

According to suppliers of manufacturing and production equipment, capital equipment is purchased almost entirely from vendors in Japan. Said one machine tool company's divisional president, "We tried to interest Diamond Star in our products, but found selection had already been made in Japan by officials of that joint-venture project."

Parts and components suppliers, of which 80% say they have *tried* to sell to the Japanese transplants claim, "So far few components we make are being assembled in the US—transmissions, steering and brake parts." The president of an onboard parts and components supplier claims, "Japanese manufacturers also demand exchange rate sharing on components supplied to US manufacturers from their Japanese suppliers, which the Japanese supplier then refuses."

Success is limited, but at least 10% of the parts and components people we surveyed have made inroads. Says Daniel Monighan, chairman and president of Van Dresser Corp., "When the Japanese have not made prior commitments to Japanese suppliers (which has happened), we are very successful in selling to them. We license our technology to three Japanese companies, including the two largest companies in Japan."

Have you tried to sell to a Japanese assembly plant located in the US?

	Yes	No
Mfg./Prod.	71%	29%
Parts/Components	80%	20%
Materials	92%	8%
Total	84%	16%

Gene Stohler, VP of sales and marketing at ITT Automotive, notes, "The only success to date is through joint-ventures with Japanese companies." Says a major materials supplier, "You must have a Japanese partner if you want to do business."

Despite recent information printed in ***AI*** (*see September issue, p. 88*) about the difficulties US steel companies have in selling to Japanese automakers, steel and plastics manufacturers are having better luck at supplying the transplants than are the parts and components and production equipment suppliers. According to our survey results, about 26% of the materials suppliers are supplying Japanese transplants, among them steel, aluminum, glass and plastics suppliers. One steel company says it "currently sells successfully to several" Japanese assembly plants located in the US; an aluminum manufacturer claims success with Nissan and Honda. Says a major US plastics supplier's VP of sales and marketing, "We currently supply Nissan and NUMMI;" while yet another plastics supplier claims the Japanese "are more willing to pay for quality than the US companies." A top glass manufacturer's manager of automotive OEM development says his company sells to Honda and will supply Mazda's Flat Rock, MI plant.

Across the board results show that 84% of the US suppliers have tried or are trying to sell to the Japanese automakers. The frustration is apparent, but the willingness to get a foot in the door is paramount. Summing up this toe-in approach is the VP of planning and administration at a materials manufacturer: "We're looking for a good strategy to break down their [Japanese transplant's] determined preference for Japanese suppliers."